IN THE

Supreme Court of the United States

OCTOBER TERM, 1978

No. 78-1935

JOHN O. BUTLER COMPANY,

Petitioner,

vs.

ROBERT M. LAFF,

Respondent.

ANSWER TO PETITION FOR A WRIT OF CERTIORARI TO THE ILLINOIS SUPREME COURT

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Robert M. Laff, by his attorney, answers the Petition for a Writ of Certiorari as follows:

RESPONSE TO STATEMENT OF THE MANNER IN WHICH FEDERAL QUESTIONS WERE RAISED

No Federal questions were raised prior to or during the trial of this case below. After the trial a final judgment order was ordered (App. 35) which found the Defendant liable to the Plaintiff upon an oral agreement, which the parties had observed for many years. That order did not deal with any Federal issues, none having been then raised. The issue at trial was the credibility of the witnesses.

The final judgment order provided that the Plaintiff be paid a percentage of the sales of the product involved. Upon a representation as to the gross amount of the sales, made by the Defendant, a judgment order for money damages was thereafter entered. (App. 39) That order did not pass upon or deal with any Federal claims.

An appeal followed to the Illinois Appellate Court. No Federal issue was raised in the Appellant's brief in that Court. Their claim was, substantially, that the trial court erred in not granting a new trial upon evidence tendered to the Court after the entry of the final judgment order found at App. 35.

Petitioner states at page 5 of the Petition that Federal issues were raised on oral argument; the undersigned argued the case for the Appellee, and does not recall any Federal argument being made at that time. A copy of the Points and Authorities from Butler's Appellate Court brief is attached as an Appendix to this Answer; no Federal issue was presented to the Court below prior to the Petition for Rehearing. The trial judge had no opportunity to consider the point now being presented to this Court.

ANSWER TO STATEMENT OF THE CASE

As in all lower courts, Petitioner presents a statement of the case as though the findings of the trial judge were of no effect. It was a bench trial, and the trial judge found the facts to be substantially different from the presentation in the statement of the case.

After the trial, and after the entry of the final judgment order at App. 35, Butler Company changed attorneys and presented extensive post-trial materials, consisting of magazine articles, patents, and affidavits of persons who testified at the trial. The substance of the materials presented was that new counsel would have done a better job at the trial than trial counsel, and that trial counsel was incompetent.

The trial court denied the profert of new evidence, because it was all in existence at the time of the trial, and the Illinois Appellate Court gave precise consideration to this issue. (App. 24). The repeated assertions that the trial court refused to receive evidence while the case was still going on are plainly wrong. The trial court had entered a final judgment order at the time the additional evidence was produced, and it was produced in connection with a post-trial motion.

In making its statement of facts, Petitioner mixes the assertions of its post-trial motions with the trial record. This leads to a statement of facts which is misleading. The facts are correctly stated in the opinion of the Appellate Court of Illinois. (App. 1).

REASONS FOR DENYING THE WRIT

In the 1977 Term, this Court "granted certiorari to consider whether federal patent law pre-empts state contract law so as to preclude enforcement of a contract to pay royalities to a patent applicant, on sales of articles embodying the putative invention, for so long as the contracting party sells them, if a patent is not granted." *Aronson v. Quick Point Pencil Co.*, 99 S.Ct. 1096 (1979).

State law legitimately concerns itself with trade secrets. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974).

The Illinois Appellate Court enforced the agreement between these parties in accordance with the law of the State of Illinois. The Federal contention was precisely considered on petition for rehearing (App. 33), and the Appellate Court, without guidance of *Aronson v. Quick Point*, came to the same result which would have obtained had it had the benefit of this Court's ruling in that case.

The Illinois Appellate Court did rely upon a Federal precedent to some extent; *Warner-Lambert Pharmaceutical Co., Inc. v. Reynolds*, 178 F.Supp. 655 (S.D. N.Y. 1959), affirmed 280 F.2d 197 (2nd Cir. 1960). But that was a diversity case. It was not a statement of Federal law.

Much of Petitioner's brief is misleading; for instance, at App. 20 a reference is made to the extensive post-trial motions; at that point, all that remained to be done was the entry of the money judgment based upon a percentage of sales. In referring to that period of time, Petitioner says "Even though the trial was still going on

. . ., (App. 20); the trial was not still going on; a final order, with an appropriate finding that it was a final order, had been entered at the time. (App. 35, App. 38, par. 5).

Petitioner has made the same misrepresentation below, repeatedly, and it is inappropriate that such a misrepresentation continue to be made after having been called to Petitioner's attention so many times.

CONCLUSION

In its "Conclusion" Petitioner makes, as its final argument, the point that "It is also important where, as here, the parties completely disagreed as to the terms of their oral agreement."

This Court should not concern itself with testimonial disagreement. That is the job of the trial judge. The trial judge did his job in this case, and His Honor, Judge Walter J. Kowalski of Chicago, has been repeatedly affirmed.

For the reasons which we have stated, we submit that this case is not appropriate for review by this Honorable Court, and we ask that the Petition be denied.

Respectfully submitted,

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APPENDIX

POINTS AND AUTHORITIES

I.

THE JUDGMENT ON THE LIABILITY ISSUE IS AGAINST THE PREPONDERANCE OF EVIDENCE.

A.

Laff Neither Carried nor was Required to Carry His Burden of Proof as to the Alleged Existence of any Trade Secret, Its Transmission to Butler, and the Existence of an Agreement of Secrecy Between the Parties.

Bimba Mfg. Co. v. *Starz Cylinder Co.*, 119 Ill. App. 2d 251, 256 N.E. 2d 865 ~~(Ill. Sup. Ct. 1970)~~; (1st ad NRe 1970) ✓

Wesley-Jessen, Inc. v. *Reynolds, et al.*, 182 U.S.P.Q. 135 (N.D. Ill. 1974);

Schulenburg v. *Signatrol, Inc.*, 33 Ill. 2d 379, 212 N.E. 2d 865 (Ill. Sup. Ct. 1965);

Victor Chemical Works v. *Iliff*, 299 Ill. 532, 132 N.E. 806 (Ill. Sup. Ct. 1921);

ILG Industries, Inc. v. *Scott*, 49 Ill. 2d 88, 273 N.E.2d 393 (Ill. Sup. Ct. 1971);

2 Callman, *Unfair Competition, Trademarks and Monopolies*, §53.3(a).

Cook-Master v. *Nicro Steel Products*, 339 Ill. App. 519, 90 N.E. 2d 657 (Ill. App. Ct. 1950);

B.

No Trade Secret Could Exist Where Laff Himself Never Treated or Considered His Alleged Property as a Trade Secret.

Pittsburgh Erie Saw Corp. v. *Southern Saw Service*, 136 F. Supp. 96 (N.D. Ga. 1955), *mod. in part*, 239 F.2d 339 (5th Cir. 1956) *cert. denied*, 353 U.S. 964 (1957).

Canaan Products, Inc. v. *Edward Don & Co.*, 273 F. Supp. 492 (N.D. Ill. 1966), *aff'd* 388 F.2d 540 (7th Cir. 1968);
Goldin v. *R. J. Reynolds Tobacco Co.*, 22 F. Supp. 61 (S.D. N.Y. 1938);
American Sign and Indicator Corp. v. *Schulenburg*, 167 F. Supp. 20 (E.D. Ill. 1958), *aff'd* 267 F.2d 388 (7th Cir. 1959);
Victor Chemical Works v. *Iliff*, 299 Ill. 532, 132 N.E. 806 (Ill. Sup. Ct. 1921).

C.

The Court Erred in Refusing to Allow Cermak to Testify as to the Red-Cote Formula.

Hahn v. *Eastern Illinois Office Equipment Co.*, 42 Ill. App. 3d 29, 355 N.E. 2d 336 (Ill. App. Ct. 1976);
Cunningham v. *Yazoo Manufacturing Co.*, 39 Ill. App. 3d 498, 350 N.E. 2d 514 (Ill. App. Ct. 1976);
Hernandez v. *Power Construction Co.*, 43 Ill. App. 3d 860, 357 N.E. 2d 606 (Ill. App. Ct. 1976);
Mack v. *Davis*, 76 Ill. App. 2d 88, 221 N.E. 2d 121 (Ill. App. Ct. 1966).

D.

Laff Failed to Prove That He Originated the Red-Cote Formula Prior to Butler and that it was Derived from Him by Butler.

Shumaker v. *Paulson*, 136 F.2d 700 (CCPA 1943);
Radio Corporation of America v. *Philco Corp.*, 201 F.Supp. 135 (E.D. Pa. 1961);
Crimmins and Breakfield v. *Reid*, 180 U.S.P.Q. 462 (P.O. Bd. of Int. 1973);

Morse v. *Porter, et al.*, 155 U.S.P.Q. 280 (P.O. Bd. of Int. 1965);
Herrmann v. *Otken*, 201 F.2d 909 (CCPA 1953).

E.

Even Assuming its Existence, Laff's Alleged Trade Secret Would Have Survived for Only a Short Time After Red-Cote was Marketed.

ILG Industries, Inc. v. *Scott*, 49 Ill. 2d 88, 273 N.E. 2d 393 (Ill. Sup. Ct. 1971);
§757 Restatement of Torts;
Smith v. *Dravo Corp.*, 203 F.2d 369 (7th Cir. 1953);
Warner-Lambert Pharm. Co., Inc. v. *John J. Reynolds, Inc.*, 178 F.Supp. 655 (S.D.N.Y. 1959);
Lear, Inc. v. *Adkins*, 395 U.S. 653 (1969);
Bimba Mfg. Co. v. *Starz Cylinder Co.*, 119 Ill. App. 2d 251, 256 N.E.2d 357 (Ill. App. Ct. 1970);
Cook-Master v. *Nicro Steel Products*, 339 Ill. App. 569, 90 N.E.2d 657 (Ill. App. Ct. 1950);
Vandenbergh, "Intellectual Law for the General Counselor," *Illinois Institute for Continuing Legal Education*, 1973.

F.

Butler's Conception of and Work on a Disclosing Tablet Product Clearly Predates any Such Conception by Laff.

Bimba Mfg. Co. v. *Starz Cylinder Co.*, 119 Ill. App. 2d 251, 256 N.E. 2d 357 (Ill. App. Ct. 1970);
Victor Chemical Works v. *Iliff*, 299 Ill. 532, 132 N.E. 806 (Ill. Sup. Ct. 1921).

G.

Laff Clearly Worked as a Consultant for Butler and was Paid Therefor; Calling Such Payment "Royalties" Does Not Change the Character of the Relationship.

Soderquist v. *Glander,* 102 N.E. 2d 465 (Ohio Sup. Ct. 1951);

Wesley-Jessen, Inc. v. *Reynolds, et al.,* 182 U.S.P.Q. 135 (N.D. Ill. 1974).

II.

THE TRIAL COURT ERRED IN FAILING TO GRANT BUTLER'S MOTIONS FOR POST-TRIAL RELIEF AS WELL AS FOR FURTHER EVIDENTIARY PROCEEDINGS.

A.

The Trial Court Abused its Discretion in Refusing To Grant the Relief Requested by Butler.

Illinois Revised Statutes, Ch. 110, § 68.3;

Campo v. *Clark Theater,* 123 Ill. App. 2d 145, 260 N.E.2d 29 (Ill. App. Ct. 1970);

People ex rel. Marilyn Drury v. *Catholic Home Bureau,* 34 Ill. 2d 84, 213 N.E.2d 507 (Ill. Sup. Ct. 1966);

Biel v. *Wolff,* 126 Ill. App. 2d 209, 261 N.E.2d 474 (Ill. App. Ct. 1970);

Heuer v. *Goldberg,* 106 Ill. App. 2d 55, 245 N.E.2d 497 (Ill. App. Ct. 1969);

Torshen, "Illinois Civil Trial Practice," *Illinois Institute for Continuing Legal Education* (1969);

Skiba v. *Ruby,* 113 Ill. App. 2d 170, 251 N.E.2d 771 (Ill. App. Ct. 1969);

Thomas v. *Rossetter,* 339 Ill. App. 647, 91 N.E.2d 155 (Ill. App. Ct. 1950);

Sell v. *Vlahos,* 105 Ill. App. 2d 414, 245 N.E.2d 303 (Ill. App. Ct. 1969);

Masters v. *Central Illinois Electric and Gas Co.,* 7 Ill. App. 2d 348, 129 N.E.2d 586 (Ill. App. Ct. 1955);

Hamas v. *Payne,* 107 Ill. App. 2d 316, 246 N.E.2d 1 (Ill. App. Ct. 1969);

Borries v. *Z. Frank, Inc.,* 73 Ill. App. 2d 128, 219 N.E. 2d 737 (Ill. App. Ct. 1966);

Bauer v. *Timucci,* 33 Ill. App. 3d 1051, 339 N.E. 2d 434 (Ill. App. Ct. 1975);

Goldblatt Bros., Inc. v. *Jorgensen,* 328 Ill. App. 355, 66 N.E.2d 102 (Ill. App. Ct. 1946).

B.

The Trial Court Erred in Failing to Hold That Laff Completely Failed to Carry His Burden of Proof.

American Sign and Indicator Corp. v. *Schulenburg,* 167 F.Supp. 20 (E.D. Ill. 1958); *aff'd* 267 F.2d 388 (7th Cir. 1959);

Wesley-Jessen, Inc. v. *Reynolds, et al.,* 182 U.S.P.Q. 135 (N.D. Ill. 1974);

Travers v. *Wormer,* 13 Ill. App. 39 (Ill. App. Ct. 1883).

C.

The Trial Court Erred In Failing to Admit Testimony and Evidence of Butler's Offers of Proof On the Question of Damages.

Bimba Mfg. Co. v. *Starz Cylinder Co.,* 119 Ill. App. 2d 251, 256 N.E.2d 357 (Ill. App. Ct. 1970);

Schulenburg v. *Signatrol, Inc.*, 33 Ill. 2d 379, 212 N.E.2d 865 (Ill. Sup. Ct. 1965);
ILG Industries, Inc. v. *Scott*, 49 Ill. 2d 88, 273 N.E.2d 393 (Ill. Sup. Ct. 1971);
Wesley-Jessen, Inc. v. *Reynolds, et al.*, 182 U.S.P.Q. 135 (N.D. Ill. 1974);
2 Callmann Unfair Competition, Trademarks, and Monopolies, §53.3(a);
Lear, Inc. v. *Adkins*, 395 U.S. 653 (1969).

III.

LAFF'S UNCORROBORATED VERSION OF THE ALLEGED AGREEMENT SHOULD NOT BE FAVORED WHERE, AT CRITICAL TIMES, BOTH LAFF AND BUTLER WERE REPRESENTED BY THE SAME COUNSEL.

Strong v. *International Building Loan and Investment Union*, 183 Ill. 97 (Ill. Sup. Ct. 1899);
Allstate Insurance Co. v. *Keller*, 17 Ill. App. 2d 44, 149 N.E.2d 482 (Ill. App. Ct. 1958).
